claimers as "Void where prohibited by law."

Under federal and state law, cable-signal theft and the sale of devices intended for that use are misdemeanors punishable by up to a year in prison—two for repeat offenders. But such charges most often result in suspended sentences, fines or obligations to perform community service. The new cable bill, however, would make cable theft a felony.

perators are also up against a public that doesn't view cable theft as a true crime. "It's funny to me that people would never go to McDonald's and sneak a hamburger off the rack, but they hook themselves up to cable illegally and they think it's OK," says Scott Binder, general manager at ATC Cablevision in Canyon Country.

Indeed, one Valley resident who paid \$200 two years ago for his black box blamed cable operators for their high rates. He shells out \$40 a month for basic cable service and one premium channel, but his black box allows him

to receive all other stations and pay-per-view events for free. "I feel I'm paying what they deserve," he says.

Some current and former employees of cable companies are involved in the theft. A man who claims that he is a former CVI employee sells booklets on how to obtain illegal cable. He maintains that "half the people who work for CVI hook people up illegally." Officials at CVI and other local companies deny that employee theft is anywhere near that widespread, although some say they have fired workers caught stealing signals.

A bigger problem is finding the illegal hookups and decoders. Most companies, such as CVI, have audit crews that randomly check cable lines. Auditors also find unauthorized taps when checking for signal leakage—a task required by the Federal Communications Commission because such leakage can interfere with air-traffic communications. Illegal installations are a major cause of signal leakage, companies say.

Auditors also scour neighborhoods for pirates after customers complain of fuzzy reception, because unauthorized hookups drain cable signals and interfere with legal installations.

When cable companies find illegal taps, they often take a soft approach initially. Many offer free installations, figuring that it makes more sense to turn the signal stealer into a paying customer. So far, this strategy has met with limited success. At CVI, for instance, about 30% of those caught with illegal hookups have become paying customers within two weeks of being disconnected.

A second- or third-time offender will probably receive sterner warnings and threats of legal action, although charges are actually filed very rarely.

Cable companies say they are hoping to shut down bootleg distributors, although most admit that they have barely scratched the surface of these networks and have won few convictions. CVI has nabbed two sellers of descrambling devices through sting

operations, but both cases were settled out of court with the alleged offenders agreeing to fines and community service.

The cable industry is now turning its attention to San Francisco, where last year the largest seizure ever of illegal cable equipment took place (along with related raids in Nevada). Federal agents found thousands of black boxes in what was termed a multimillion-dollar operation. No charges have been filed, but Assistant U.S. Atty. Kent Walker says that a decision will be made soon. Walker adds that "deterrence is a factor" in deciding whether to prosecute.

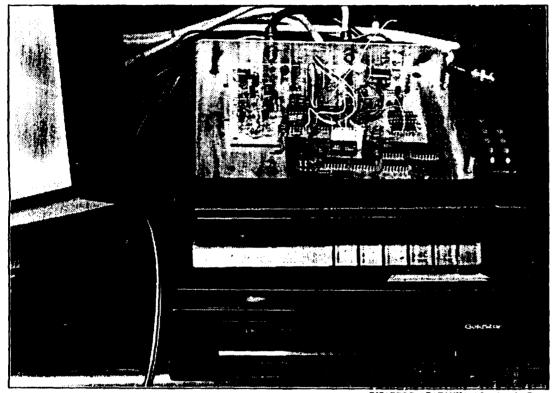
Cable companies are also hoping to use customer lists captured during raids to find unauthorized users. Many of these lists contain detailed information, including names and addresses of blackbox customers.

But operators say that prosecuting criminals can only be part of the solution. Most plan mailings and ads warning the public about piracy. They are also investing in new theft-fighting equipment.

Some local operators are installing signal-screening traps—similar to the terminator—on each cable port in their systems to prevent illegal hookups. Many are also planning to make their systems "addressable," which involves putting devices in homes that allow computer messages to scramble and unscramble stations.

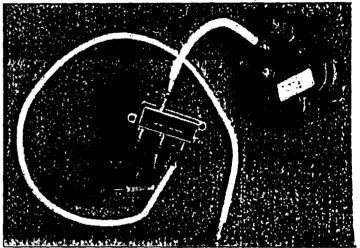
Some local companies are considering using "electronic bullets," which were developed by General Instrument's Jerroid Communications division and have been used successfully by several cable systems. A bullet is an electronic signal fired from a cable company office that disables bootleg boxes.

But even bullets can't shoot down all cable thieves. They don't work with some converters, and black-box distributors have begun to advertise "bulletproof" decoders. Observes ATC Cablevision's Binder: "Some people are always going to try to beat the system."



RICARDO DEARATANHA / Los Angeles Times

Tricks of the Trade



RICARDO DEARATANHA / Los Angeles Times

A confiscated illegal decoder, also known as a "black box," was taken apart at CVI offices. Right, a collection of ads for illegal decoders that





Device called a splitter, above, allows users to tap into cable line. Left, cable box at Haskell Avenue apartment building shows three of six

West Coast Bust Nets \$20M in Illegal Cable Boxes

OS ANGELES — Authorities seized approximately 70,000 illegally altered converter boxes during raids at 10 locations in the Los Angeles area and Las Vegas

date. Forty people were detained during the raids, but no charges have been filed yet, pending completion of the investigation, according to John Gibbs, vice president of corporate and legal affairs for the

can be used to steal \$3,200 in programming during the boxes' expected useful life.

The locations had been under investigation since a Continental bust in June. Records from that seizure

shipping out converters via United Parcel Service, Gibbs said.

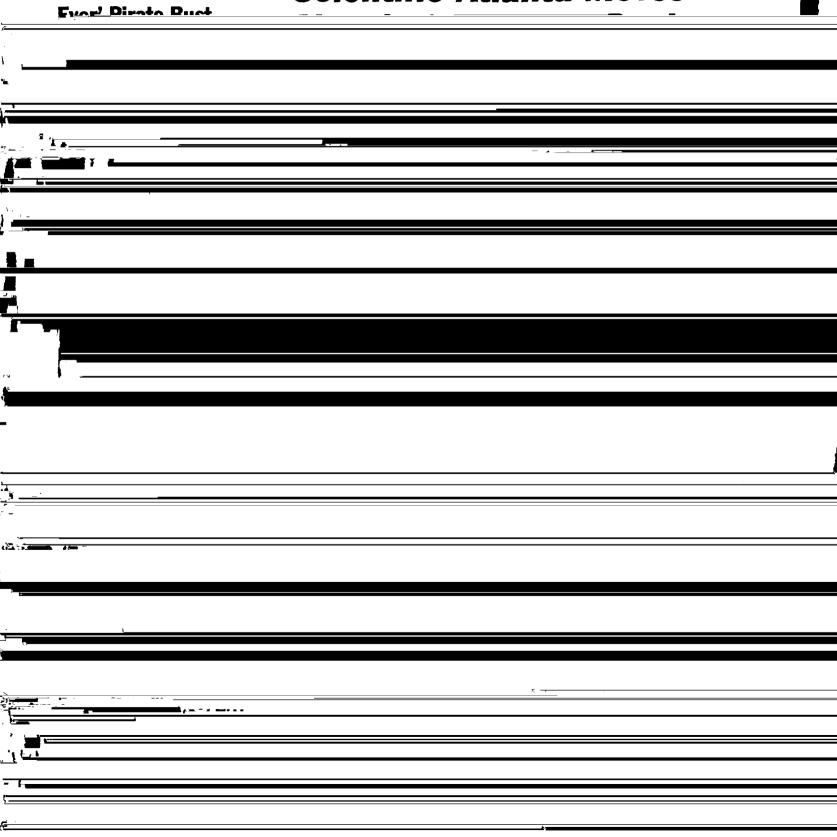
Law enforcement officials were supportive in executing search warrants once Continental had completed its investigation. Gibbs service. Citywide, Los Angeles' 14 franchises lose \$65 million a year, he said. Nationally, the industry loses \$3 billion a year to theft, according to the OCST.

The hardware seized represented

TECHNOLOGY

LAPD Stages 'Biggest

Scientific-Atlanta Moves



this year than in recent years. With that in mind, broadcasters might be more willing to show results on their own airwaves than they would be to produce them for another outlet.

Not all election-night collaborations have fallen by the wayside. Cox Cable of Omaha will once again be working with KKAR(AM) Bellevue. Neb., to report election-night returns. Their arrangement, which began with joint local election coverage in 1989, calls for the radio station to provide on-air staff and an audio simulcast. Cox provides technical assistance and video coverage. Salespeople from both sides offer advertising as a joint package. On air, KKAR anchors from the Cox Cable studio with live cameras from City Hall and other locations.

CABLE SPOT ADVERTISING RECORDING BANNER YEAR

Third quarter up 25%; political spending expected to boost fourth-quarter jump by 73%

By Rich Brown

otal spot cable television advertising during the third quarter of 1992 reached \$24.8 million. an

amusement and recreation; food and related products (packaged goods); fast-food restaurant chains; communications; retail building materials and gardening: political campaigns; retail

Among changes from the first half of the year were the rise of the "banks and banking services" category from fifth to second place and the displacement of the "motor vehicle supplies" and the second s



.....

Hanford pays subs for system feedback

Hanford, Calif.. has a preferred customer program, where 13 subscribers are polled quarterly, and compensated, for answering questions on cable issues. Continental GM Len Falter divided the system into 13 management areas, and picked a subscriber from each. Each quarter they get a 10- to 15-question survey form, asking generic questions about the cable service. etc. Subscribers receive a \$15 coupon good for cable services when they fill out the surveys.

Those subscribers are happy because they feel the cable company is listening and city officials are impressed Continental is staying in touch with their customers. It provides Falter a direct line with subscribers, to hear picture quality or personnel complaints. "It lets us know some of the trends going on," says Falter.

For instance, despite the massive marketing behind the launch of PPV, many subscribers didn't know about it. Conversely, many subscribers have asked for a flat rate for multiple remotes, something the system is looking into. The program is nearing the end of the first year, and Falter plans to convene a focus group. Next year, 13 different subscribers will participate in the program.

Norwalk's "Most Wanted" pays off

Ike Mutlu, area manager for Continental Cablevision in Norwalk, Ohio, set up a Norwalk's most wanted several months ago. About eight to 12 people wanted for various violations are posted each month on the system's community bulletin board and about two to three per month turn themselves, says Mutlu.

The cooperation with police force works both ways, as they have helped Mutlu apprehend a motel operator who was stealing cable service.

Keys to curbing bad debt

Another aspect to plugging holes in your system is curbing bad debt. And despite a bad economy, many systems have been successful lowering bad debt significantly. It takes a combination of a several step process, flexibility on payments schedules to the point of allowing the customer some leeway on deciding when he can pay, and utilization of telemarketers, installers for collections, even the ARU. But it can all add up to more money coming in, and less money going out. A snapshot of some success stories:

San Diego (Times Mirror)

Subscribers: 125,000

Debt keys: Five-step contact procedure, including ARU callout; pondering purchase of several ATM machines.

Times Mirror's San Diego system, which serves low- and middle-income areas, plus Camp Pendleton, has low-ered bad debt from 2.2% of revenue to 1.6% in 1991, despite the Desert Storm campaign which wiped out some of its paying subscriber base for several months. The keys, says Bob Rubery, director of operations, are establishing rules, training customers and making frequent contact.

The system makes five contacts prior to disconnection. The regular bill is tollowed up by a pink bill 30 days later, then a postcard seven days after that. Starting on day 37, delinquent accounts are called by the system's ARU. The ARU handles about 20 to 50 calls per night. Since most homes have two incomes, the ARU catches many people who are at work during the day. The ARU makes three attempts that night and the next day. Subscribers can also press one when the ARU calls to reach a CSR who is on duty. The system is entirely addressable so at day 45, all boxes are put on hold until pavment. Disconnect orders aren't given until day 52.

Since the area is very transient, Times Mirror has a bad debt matching system. New subscribers must give a social security, telephone or other identifying number to the system. That provides a bad debt list against which Times Mirror checks new customers. Thus subscribers with a poor

credit history can't move and be hooked up to cable anew. Installers also are incented to save disconnects and receive a 10% commission on any bills collected. Since the average outstanding bill is about \$100, the saves an installer makes puts about \$10 in his pocket.

Also, no one can order PPV events if their account is delinquent, which helps correct bad debt problems among service personnel, especially if a big fight is coming up.

Rubery is looking at installing ATM machines at the system's three cable stores and perhaps a few others on Camp Pendleton for subscribers to make payments. The stores are open 8 a.m. to 5 p.m., weekdays only, so the ATM would increase payment availability. The system takes in about 20,000 walkin payments a month.

Tampa, Fla. (Jones)

Subscribers: 60,000

Debt keys: Increase number of collection contacts and be more available for pickups at first of the month when federal subsidies are received in poorer areas.

Jones' program coordinates outbound telephone calls and door-to-door collections to increase collection rates. GM Roger Holleger said in the 10 months prior to the program, the system was disconnecting 241 subscribers a month, for a 3.4% churn rate. Since the program began, the numbers have dropped 44% to 135 a month for a 1.9% churn rate.

The system makes evening outbound calls to remind problem customers of payment due dates or to schedule a payment pickup time. Customers not contacted are routed to the field for door-to-door collections.

Jones calls selected customers who will soon be receiving Telegrams and tells them a technician will be in their area in next few days. As an incentive to pay the technician, bills collected after the telegrams go out are assessed a \$10 late fee. Technicians also reach those customers who weren't contacted by telephone. Customers can request extensions after the tech pickups, but they must pay the full balance due. Such requests are classified as manual nonpays, but Jones says about 90% of the promises are kept.

YEWS

FCC Looks at Kids' Ads

Three systems subject of review; cable wins pole-attachment fight

BY VINCENTE PASDELOUP

he Federal Communications Commission has sent letters of inquiry to cable operators in Denison and Sugarland, Texas, as well as Belmont. Mass., about ads telecast during children's programming on Turner Network Television.

The cable systems were singled out in January when the FCC Field Office con-



ducted a nationwide cable system audit and noted possible violations of the commercial limits placed on children's programming. The rules allow up to 12 minutes per hour of commercials during children's programming

on weekdays and up to 10.5 minutes on weekends. Under the federal guidelines, cable operators are liable for cable network rule violations.

DOWN TO THE WIRE: Utilities and telephone companies can't block cable operators from offering voice and data services by charging them additional pole-attachment fees, according to an FCC ruling. The FCC rejected the U.S. Telephone Association's petition to reconsider its November decision, Last November, the FCC ruled that Texas Utilities Electric couldn't charge a premium to Tele-Communications Inc. for using its poles to provide for a personal communications services experiment in Dallas.

CERRITOS UPDATE: As part of its research leading up to a decision expected this summer on video dial tone, the FCC has asked for comments on GTE's experiment in Cerritos, Calif. In 1989, the FCC granted GTE a waiver of the telco-cable cross-ownership rules to build and operate a fiber/coaxial cable system in Cerritos because the technological and marketing innovations it could bring were a "good cause." But last September, the U.S. Court of Appeals for the District of Columbia found the commission's justification inadequate. The commission is now asking the public what it should do next.

BUDGET DELAY: The Senate Commerce Committee hasn't reauthorized the FCC budget vet because the commission's chairman. Alfred Sikes, has said that any new cable-reregulation law would drain the agency's resources. In a June 10 letter to members of the House Energy and Commerce committee, Sikes wrote that the cable-rereg bill voted out of the House Telecommunications and Finance subcommittee would cost the FCC 17 percent to 44 percent of its current budget. The bill would force the FCC to handles local cable rate regulation. Depending on the number of requests for rate regulation, that could cost from \$22.5 million to \$54.7 million per year, according to Sikes. The Senate Committee now wants to examine Sikes' claims before moving on any FCC budget.

Rep. Moorhead Goes Comparative Shopping

n cable as in real estate, location is everything, Take, for example, U.S. Rep. Carlos Moorhead (R-Calif.), the second ranking minority leader on the House Energy and Commerce Committee and the top minority leader on the House Intellectual Property and Judicial Administration subcommittee.

He said he pays twice as much for cable at his McLean, Va., residence as he does in California. A check shows that Moorhead pays Media General of Fairfax. Va., \$40.40 a month for basic service on two sets. Basic service - which includes more than 100 channels - is \$28.95, but each remote costs \$3 and a second hookup is \$7.95. In Glendale, Calif., Moorhead pays Sammons Communications \$19.80 a month for 33 basic channels. The price differential may matter in the future because Moorhead apparently will succeed Rep. Norman Lent (R-N.Y.), the minority leader of the Energy and Commerce Committee, who'll retire next year.

CABLE BASHER ALSO A CABLE 'LIB-ERATOR': Cable basher and New York Post sports columnist Phil Mushnick also admits to being a cable pirate. In his post-

mortem on the June 19 Evander Holvfield/Larry Holmes bout, Mushnick boasted that he didn't pay for the fight. "Did we watch via a stolen signal? We prefer to call



IN THE KNOW

it 'liberated,' " he wrote. He called the purloined signal "economic counter-terrorism" and said anyone inclined to pay \$35 for the fight was "a complete idiot." Mushnick cailed the hats and T-shirts sold by TVKO in conjunc-

tion with the Post "commemorative junk." No word yet on whether he "liberated" any of that stuff, too.

MISTAKEN IDENTITY: NY1 News' vice president Paul Sagan helped host a party for potential advertisers and assorted well-wishers June 23. However, it seems that a few party-goers were confused about Sagan's cable lineage. Wasn't he, they wanted to know, the same Paul Sagan who publishes newsletters and holds seminars for the cable industry? That, of course, is media analyst Paul Kagan. Sagan's background is broadcast news; he was news director at WCBS-TV in New York at age 26.

WIRING THE U.K.: Adam Singer, who still doesn't have an official title in his new position with Tele-Communications inc. in Denver, gave a luncheon speech last week in London in which he said that the "only way to survive" in Europe is to become a "major programming principality."

That view, delivered to a heavy-hitting audience that included reps from Canal Plus and Rupert Murdoch's British Sky Broadcasting, no doubt settled quite nicely with the honchos at TCI headquarters.

Singer also voiced some strong feelings about cable in the U.K., which has been slow to build for a variety of reasons. One problem is that U.K. operators, according to Singer, adopted the U.S. model of cable known as the "field of dreams" approach: build it and they (programs) will come.

Applied in the U.K., the U.S. model has produced some interesting, and not always very welcome, results, Singer said: "The programming did come, but it wasn't 'Field of Dreams': it was Murdoch and 'The Empire Strikes Back.'

Cable-TV Pirates Become More Brazen, Forcing Industry to Seek New Remedies

By MARK ROBICHAUX

Staff Reporter of THE WALL STREET JOURNAL NEW YORK - When fight fans in Marvland tuned in to the much-touted pay-perwiew match between Mike Tyson and Razor

Ruddock last June, hundreds of viewers were sucker-punched at the opening bell.

That's when the picture on their screens went wavy. The local cable system had suddenly scrambled signals in a way that obliterated the picture on TV sets that had illegal converter boxes.

In the first hour, the cable company received more than 200 complaints from disgruntled viewers - all of whom had expected to get the event without paying for it. A day later scores more called. When pressed for answers about their service. most hung up.

Did we get satisfaction?" asks John Eddy, president of the company, Cable TV Montgomery, a unit of Hauser Communications Inc. "Of course we did."

But it was only brief relief for a company that loses \$12 million a year in pirated pay services. And Cable TV Montgomery isn't the only one hurting. Federal investigations have uncovered a number of illegal cable distributors whose vast networks display an unprecedented sophistication and financial scope.

The illegal distributors sell from warehouses instead of car trunks now, and national advertising, direct-mail campaigns and 800 numbers have helped them build multimillion-dollar operations. They even accept credit cards. In a recent raid in New York, investigators seized 50,000 illegal decoders from a company with an estimated \$10 million in annual revenue.

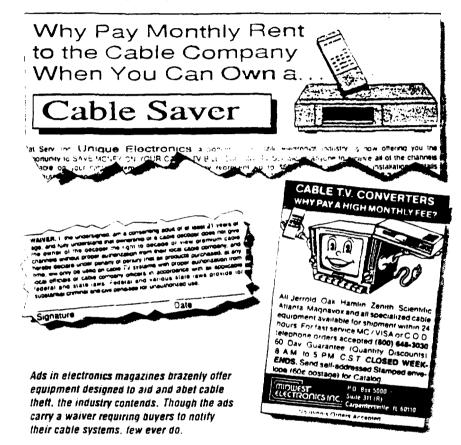
'Cable piracy is pervasive, it's growing and there is no quick cure for the problem. says Jim Allen, director of the National Cable Television Association's cable theft office. Cable system operators argue that the same people who steal cable would never dream of walking into a 7-Eleven and swiping a Twinkie.

People don't think stealing cable is a real crime. They don't take it seriously." says Kent Walker, an assistant U.S. attorney in California who is negotiating a plea bargain with a distributor who was arrested with 40,000 illegal descramblers.

Less Expansion

Revenue lost from cable theft - or piracy as the industry likes to call it - has doubled in five years to more than \$3 billion, according to the National Cable Television Association. That is the equivalent of 17% of total industry revenue. Cable piracy is particularly painful for the industry now, because the torrid growth of years past is all but over. Cable can reach into

A Cable Pirate's Treasure



35% of all U.S. homes, leaving little room for expansion.

The electronic theft is especially damaging to the pay-TV business. Most pirates subscribe to the cheapest cable service and buy illegal decoders to heist monthly pay services costing \$30 to \$70 a month. That damages an aiready ailing industry: Last year every major pay service but Walt Disney Co.'s Disney channel lost subscribers. Time Warner Inc. 's Home Box Office, the leader, lost 300,000 homes.

Cable operators are struggling to fight back, doggedly pursuing pirates with private detectives, amnesty programs, ad campaigns and new high-tech countermeasures. With the aid of new scrambling, or "encryption." technology, some cable operators are firing "electronic bullets" into pirates homes - streams of data that render the illegal descramblers uselessbut that approach is still costly and requires sophisticated equipment. Cable systems are also pursuing criminal convictions and are increasingly squeezing distributors and pirates in civil court.

Earlier this week, at the cable industry's annual convention in Dallas, the cable

association unveiled a national anti-theft ad campuign featuring the stern-voiced John Walsh, host of "America's Most Wanted," to run on Fox Broadcasting Co.'s affiliates. Awards were also handed out for the six toughest anti-piracy cable systems in the U.S. In the No. 1 spot: Cable TV Montgomery, the Maryland system that capped the Tyson fight.

At a Loss

But for all their efforts, cable operators are at a loss to thwart the vast majority of theft. Under federal law, distributors of illegal decoder boxes can get up to five years in prison and big fines.-Viewers at home can face up to six months in jail and a \$1,000 fine. But prison terms are extremely rare. Stiff fines are seldom levied and rarely paid in full. Rank-and-file viewers are hardly ever caught—and when they are, they often go unpunished.

And so large-scale distributors are often free to brazenly engage in modern marketing techniques. Many buy ads in the back pages of electronics magazines such as Popular Science, Radio Electronics and

Please Turn to Page B6. Column 3

Cable-TV Companies Are Losing Millions in Pirated Pay Services

Continued From Page B1
Nuts & Volts. Today the couch potato who wants premium services without paying for them can dial an 800 number, request 24-hour delivery and even get a service warranty. To match the decoder model to the caller's cable system, many distributors need only punch the customer's ZIP

The pirate companies, trying to sidestep legal trouble, use a simple fine-print waiver in their ads, such as the phrase "Void where prohibited by law."

code into a computer data base.

An Override Circuit

Many illegal converters sell for between \$100 and \$300 and look like the cable boxes that are used for basic service. But inside, technicians have "blown the chip," replacing the standard circuitry with an override circuit that enables the box to receive pay services without authorization from the local cable company. Others add a tiny box, or descrambler, to the box provided by the cable company.

The 800 services explain away questions about the legality of their products with responses such as this one, given to a recent caller: "You aren't authorized to view premium channels unless you notify the cable company." (Few buyers bother to do that, and it is unlikely the cable companies would agree to allow it.)

Frustrated by the bold tactics, some cable companies play cops and robbers, with mixed results. Cablevision Systems Corp., Woodbury, N.Y., helped federal agents in a 16-month investigation that led to the biggest seizure to date — 50,000 decoders in warehouses in Brooklyn and Long Island. Cablevision sent in its own undercover people to make the buy as security agents monitored the purchases from a van across the street.

"We handled it just like a drug operation." says Henry Hack, a former policeman who is a manager of investigations at Cablevision. In August 1990, FBI agents raided the warehouses, and distributor Can Muneyyirci was later arrested on federal charges. Cablevision filed a civil suit against him. Both the criminal case and the civil suit are pending. A lawyer for the accused couldn't be reached for comment.

Tax Evasion

And in what appears to be the biggest win yet, Arthur Brett Kaufman was convicted in federal court on tax-evasion and mail-fraud charges for selling 6,500 illegal decoders in 1988. He was sentenced initially to pay \$1.3 million in restitution to several cable companies and serve three years in prison. The judge has since reduced his sentence to 13 months in prison and restitution of \$140,000.

Despite the occasional victories, cable operators are still tormented by thousands, if not millions, of individual viewers who divine devious and ingenious ways to get something for nothing.

They range from doctors to ditch-diggers. A New York insurance salesman bought 10 illegal converters and gave them to his best customers; he hasn't been penalized.

The snazziest new weapon in the war on pirates is the electronic builet. If illegal chips are in use, the bullet uses the chips' own programs to halt service, distorting the images.

After it fired a bullet in Queens, N.Y., in April 1991. Time Warner Inc.'s American Cablevision fielded calls from hundreds of pirates who were persuaded to bring their boxes in for testing. Then the company filed suit in federal court against 317 people; 314 have since settled their cases for a fine of \$500 apiece.

But Time Warner's victory may be short-lived. At least one company is now advertising a new line of converters that are touted to be entirely "bullet-proof."

Jim Hillen

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a blue shirt nish tie: "I

some of the admission proceeds will be dona ed to charity?"

Since it would entail the judge soliciting funds

committee:

Since it would entail the judge soliciting funds "for any educational, religious, charitable, fraternal or civic organization," the short answer is no, the committee sayeth.

"Question: May a judicial officer appear as a

model at a department store fashion show where

PEERLESS PUNDIT PROGNOSTICATES, phumbles: Political scribe Bob Partlow of the Daily Olympian joined the other windbags at 9 a.m. last Friday to tape "Seattle Week in Review," and boldly predicted it would be a long time before the Legislature passed Lowry's government ethics commission bill.

Partlow, host Barry Mitzman and crew hadn't even finished taping the show when the Senate passed the bill. The House passed it later that day, and Lowry is scheduled to sign it at 2 p.m. today.

Word has it Partlow picked the Bills in the Super Bowl, too.

AND IF THERE'S ANY DOUBT the Senate will vote on the health care reform bill today, consider this: Phil Talmadge's mom reportedly will be in the wings.

The West Seattle Democrat occasionally summons his loved ones for big days in the Capitol. For

instance, Talmadge's wife, Darlene, was on hand earlier in the session to watch him pass the bill out of his Health and Human Services Committee.

THE PIERCE COUNTY SHERIFF'S OFFICE and Viacom Cable made sure they told the world about the arrest and subsequent conviction last month of cable TV pirate Thomas Walsh, who was popped for selling and using illegal cable descrambler boxes.

He's awaiting sentencing of up to a year in jail and has agreed to pay Viacom \$100,000 in damages. But Walsh wasn't the only one peddling the boxes.

Last August — about when the sheriff's department was busting Walsh — a deputy told his sergeant that he, too, had bought one of these boxes.

From another deputy.

A month-long internal affairs investigation later, the deputy who sold the device was suspended for 20 days without pay. Another who bought a box got two days off, and disciplinary action awaits another when he returns from disability leave, sheriff's spokesman Curt Benson acknowledged.

But wait. There's more.

The Walsh probe and subsequent investigations have implicated scads of folks — "schoolteachers, firefighters, elected officials, cops, everybody," said one investigator — who either sold or bought descramblers.

"We have so many of these Oh, by the way, did

you knows' that after a while you can't investigate them all," a cable company official said.

ONE OF THE BUSTEES thought he recognized the guy putting the habeas grabbus on him in last week's big marijuana raid in Gig Harbor, Sure enough, the cop was an infielder on the Gig Harbor Police Department team; the suspect a player on a rival squad.

None too thrilled at being hauled off to jail, the suspect warned the officer he would exact his revenge on the diamond, spikes high.

"'I'm going to get you next game... Don't come near second base," the policeman said he was told.

So along with the 400 or so marijuana plants seized in the raid, the police confiscated all the guy's bats and balls. (They were later delivered to the suspect's team.)

P.S. THE GIG HARBOR POLICE team finished in last place last season. But they won the sportsmanship trophy.

GIG HARBOR, CONT. Seen on a license plate frame over there: "Heaven — Gig Harbor. Hell — The Bridge."

(The Nose runs in this space on Fridays. Got news for The Nose? Call Michael Gilbert at 597-8688.)

I fun, here's

Morning News Tribune, MARCH 12, 1993 PAGE B-1 QUALITY FURNITURE AND RESALE PRICED, INCLUDING REDS OF SPECIAL BUYS

sale conditions and that Lakestuc was opposing their charts to unionize. Board. President Jeanette Michell and Ron Visynck, internal excretary tousiness manager, said officials would investigate safety is successful would not get involved in the different labour of spute with Lakeside.

Cable/Thefts do not go unchallenged

Pirate Is New TV Star

By LINDA HAUGSTED

he new spokesman in Washington state telling television viewers on public-service announcements that stealing cable is a crime is a credible spokesman; he's a convicted pirate.

One of them will be Thomas Walsh of Tacoma, the first illegal cable box distributor to be prosecuted and convicted under a decadesold state law. Two other convicted pirates will also tape PSAs, but their negotiated settlement with Viacom Cable will allow them to remain anonymous.

The victory was especially sweet to Viacom because of the blatant nature of Walsh's business, said Larry Coe, the MSO's director of operations. Walsh sold his stock out of a roadside stand, like the ones many Washington vendors set up to sell apples.

Although Viacom has set up an 800 number for piracy tips, the company didn't need it to locate Walsh. Local employees saw his stand on the road; the man also advertised in local papers. Coe said Viacom believes Walsh was operating locally only, obtaining his stock for resale from distributors who advertise in national magazines.

Viacom made the case against Walsh, then the Pierce County Sheriff's department served the warrants Aug. 7. In February, a state court jury found him guilty of three counts of selling pirated boxes and one count of theft of service. He has not yet been sentenced.

Viacom also reached a settlement Feb. 23 in a civil suit it filed against Walsh. He is to pay \$100,000 in restitution and star in a 60second PSA that Viacom will write and produce; in the PSA, Walsh will state that theft of service is a crime carrying significant penalties.

In a second case, a Spanaway couple, L.K. and Cathy Spigners, who were trafficking commercially in boxes, had a lien placed against their home and other property and had to agree to appear anonymously in PSAs. Coe said.

** Washington operators are getting better at gathering the information needed to get convictions from the state law, said Bruce Frickelton, executive director of the Washington State Cable Communications Association.

Conn. Atty. Gen. Moves To **Block Any Station Changes**

BV RACHEL W. THOMPSON

onnecticut's attorney general moved last week to block Cablevision Systems Corp. from dropping any of five Hartford/New Haven broadcast stations from its southern Connecticut cable lineup.

The office petitioned the Federal Communications Commission to classify the stations as "local" under the 1992 Cable Act.

Attorney General Richard Blumenthal also asked that the FCC designate the 16 communities served by the two cable systems as part of both the New York City and Hartford broadcast areas of dominant influence (ADIs).

If Cablevision removes the stations, "almost 200,000 Connecticut subscribers will lose a vital communications cord linking them to the rest of Connecticut, becoming electronically isolated from their home state," Blumenthal said.

If the FCC grants the request, Cablevision Systems of Connecticut and Cablevision Systems of Southern Connecticut may be subject to must-carry and retransmission-consent claims from stations in both markets, assuming the provisions withstand constitutional challenge.

Cablevision of Connecticut now carries 18 broadcast stations as part of its total 52-channel lineup, the company said.

Cablevision has threatened to drop four stations in both systems, and a fifth in one, if they refuse to forgo retransmission-consent payments. The cable company has reported that negotiations with final must-carry and retransmission-consent rules on Thursday.

Cablevision originally said it wanted to remove the stations to make room for more cable networks because subscribers complained there was too much duplicated network programming on the sys-

The channel changes were to occur on April 1. but after subscribers, the governor, federal, state and local officials objected, the company indicated that it would negotiate with the stations.

In the FCC filing, Blumenthal charged Cablevision with trying to better its negotiating position with area broadcasters on retransmission consent through "a high stakes game of chicken in which Connecticut consumers are held hostage."

State authorities, who are determined to keep the upper hand in the dispute, took other steps last week to dissuade Cablevision, or any other company, from removing broadcast stations from their cable systems without plenty of public notice.

A joint committee of the Connecticut legislature held hearings Wednesday morning on a bill that would extend from 45 to 90 days the notification window for any cable system wishing to make changes in its channel lineup.

That bill would also allow local cable advisory boards to hold public hearings on any proposed changes, which operators would unquestionably view as a headache.

Not surprisingly, Cablevision's government affairs director Donna Garofano and a representative

NEWS

Greater Media Fires a 'Bullet' To Bring Down Illegal Boxes

BY CARL WEINSCHENK

reater Media Cable of Philadelphia was set last week to file civil law-suits against 20 suspected cable pirates who the system disarmed by firing an electronic "bullet," or signal, from the headend.

The signals were sent last Aug. 26-27, according to John Pitts, the 75,000-subscriber system's director of technical operations.

The signals force-tuned the illegal boxes to channel 22, created a split screen on the television set, and programmed the converter box to display a block and the number 3. Those signs helped customer service representatives identify suspects when they called the system to report that something had gone wrong with their cable connection.

"Bullet" technology has been used, but not always publicized, since 1991, when Time Warner identified 317 illegal hookups in its Queens, N.Y., system using an electronic bullet. Operators generally use such bullets to disable the boxes, though other scenarios are possible. For example, Continental Cablevision of Springfield, Mass., recently identified illegal hookups with a "free T-shirt" offer that was seen only on illegal boxes.

Jodie Hooper, the assistant director of the National Cable Television Association's Office of Cable Signal Theft, said with system executives; 73 have settled with the system; 36 are close to a settlement; 25 are being evaluated; 20 will be sued; and six haven't been located.

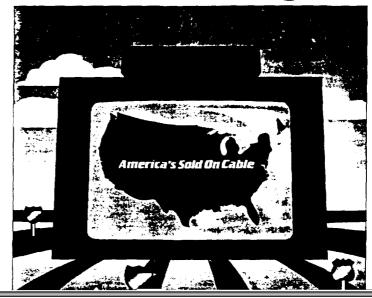
In settlements, Greater Media re-

ceived from \$350 to \$750 from the illegals; the average was \$500.

General manager Stanley Greene said more settlements could be reached last week. But the system was prepared March 18 to sue the recalcitrant parties for allegedly violating the 1984 Cable Act's sections 553 and 605 that pertain to signal theft.

If the judge rules in Greater Media's favor, the defendants could face fines of \$10,000 on each count.

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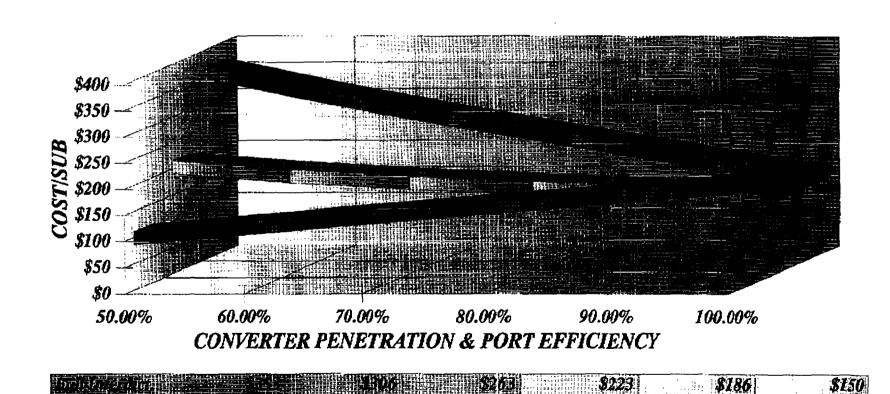


ATTACHMENT 2 FEDERAL COMMUNICATIONS COMMISSION ET Docket No. 93-7

At Continental's existing 60% converter penetration, interdiction costs an incremental \$306/subscriber. By contrast, addressability costs \$186/subscriber.

INTERDICTION VS. ADDRESSABILITY

Includes NPV of incremental power cost



ATTACHMENT 3 FEDERAL COMMUNICATIONS COMMISSION ET Docket No. 93-7

The Walker Research Survey confirms that far fewer cable subscribers are inconvenienced by cable scrambling than they are by VCR hookup and operation.

Market Research

Continental conducts extensive customer satisfaction measurements, interviewing more than 15,000 customers annually to ascertain their views on programming, customer service issues, product valuation and other subjects.

Continental's corporate market research group asked Walker CSM of Indianapolis, Indiana, to ask a sample of cable customers about their VCR usage and to inquire about any problems they may have experienced with VCR's or advanced picture generation features. Walker conducted telephone interviews of 571 customers in March and April.

VCR Usage

The sample of 571 customers was asked "Do you have a VCR that is connected to cable?" About 85% of our customers responded affirmatively. Those customers with a VCR connected to cable were then asked "Do you use your VCR to tape television programs?" Approximately 60% of our customers reported using their VCR to tape television programs. We also asked customers to characterize the frequency at which they use their VCR's to tape television programs. About half said they use their VCR's "once or twice a month" or more frequently to tape programs from cable.

Taping One Program While Watching Another

We asked those customers who use their VCR to tape

programs "Do you ever have a problem taping a program on one channel while watching another channel at the same time?"

Approximately 15% of our customers told us they "don't try to do this" or "don't know if they do." Of those who try, 79% (n=235) of the customers who tape one program while watching another reported no problems. We asked the remaining 19% (n=58) that reported some kind of trouble to tell us "What kinds of problems do you experience when taping on one channel while watching another channel at the same time?" and "What channels do you have a problem with?"

These questions generated verbatim responses and channel-specific information that was compared with the actual channel scrambling used by the customer's cable system and the cable services that customer receives. From the verbatim responses and channel-specific information, of the 58 reported problems with taping one program while watching another, a maximum of 10 cases can be attributed to problems caused by or associated with scrambling. Even here, it is impossible to establish conclusively that scrambling is indeed a contributing factor.

In the 48 cases where scrambling is definitely not the cause of the problem, the verbatim responses indicate that consumers' lack of knowledge about the proper hook up and operation of their VCR and/or TV is the most likely reason for the reported problems. Therefore, if all 10 reported cases that

could be attributed to scrambling are in fact caused by scrambling, then consumers are five times more likely to have trouble taping one program and watching another due to the way their equipment is hooked up and operated and other factors than due to scrambling.

The cross-tabulated problem/channel data supports this conclusion. The problem reports are evenly spread across all channels -- those channels that are scrambled and those that are not scrambled.

Time Delayed Recording

We asked all customers who had a VCR connected to cable "Do you use your VCR for time-delayed recording? By that I mean programming your VCR to tape programs that are on at a later time or date?" Approximately 44% (n=251) of our customers use their VCR for time-delayed recording. We asked this group of customers "Do you experience any problems when you do this?" Of this group, 88% (n=221) reported experiencing no problems. For the remaining 12% (n=29) that do experience a problem with time-delayed recording, the verbatim responses clearly indicate that consumer confusion about how to operate their VCR is the most likely cause. Consumers report a variety of problems with time-delayed recording including recording the wrong program, VCR timer problems and problems with older (non-cable ready) TV's and VCR's. None of the verbatim responses of problems with delayed taping could be reasonably attributed to scrambling.

Advanced Picture Generation (Picture in Picture)

We asked the entire sample of customers "Do any TV's in your home which are connected to cable have a Picture in a Picture capability? By this I mean can you watch two or more different channels on the screen at the same time?" Only 6.7% (n=38) of our customers reported having Picture in Picture TV sets. We asked those who had a PIP set "Do you experience any problems when trying to use this feature?" Approximately 82% (n=31) of those customers report no problems with this feature, with approximately 16% (n=6) reporting some kind of problem. We asked those who reported a problem "What channels do you have a problem with?" Three of the six problems are not related to particular channels -- whether scrambled or not. The remaining three cases may be attributed to problems caused by or associated with scrambling, but again, the data does not conclusively establish that scrambling is the cause of problems using this feature.

Conclusion

The effect of these problems on consumers should not be minimized, however, the data does demonstrate that actual scrambling-related problems are infrequent. Of the 571 customers surveyed, scrambling is the potential cause of problems in a maximum of 13 cases, but even in these cases, it cannot be definitely shown that scrambling is the actual cause of the

problems. In several verbatim responses, consumers report problems that appear to be caused by scrambling but which involve channels that are not scrambled or scrambled services the customer is not authorized to receive. In some cases, customers report problems with "scrambling" on cable systems that employ no scrambling whatsoever.

While it is reasonable to assume that in some cases, consumers experience problems that are in fact actually caused by scrambling, many more consumers are identically affected because of the intrinsic difficulties associated with certain VCR operations, the failure to educate the consumer about the proper use of the VCR or TV's features and the manner in which the consumer has installed the equipment.

ATTACHMENT 4 FEDERAL COMMUNICATIONS COMMISSION ET Docket No. 93-7

Consumer electronics retailers continue to advertise and promote products as "cable ready," regardless of manufacturers retreating from the phrase.